Welcome by Philipp Rickenbacher, Chairman of the VAV

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The spoken text is final.

Ladies and gentlemen,

Before I talk in more detail about the topic for the day, I would like to discuss an event that has made considerable waves both here and abroad: the takeover of Credit Suisse by UBS. When confronted with the serious risks associated with a potential failure of a global systemic bank, the Swiss authorities were right to act quickly and decisively. They deserve considerable thanks. To those who regard this as a sign of weakness and are keen to talk Switzerland down as a financial centre, let it be said that 'little' Switzerland managed, on its own, to prevent the spread of an international financial crisis similar to the one triggered by Lehman Brothers, which would have had enormous consequences for the global economy and other countries. The rapid solution, delivered from within, is proof that our country remains fundamentally solid. This has also been recognised by foreign governments. It is important, however, that we do even more to communicate this message to the wider public abroad, with both clarity and confidence.

The details surrounding this rescue have – understandably – caused some agitation in Switzerland too. But we are talking about a complex matter, and what we need now is a rigorous and open review of the events, with involvement from all relevant actors, as opposed to knee-jerk political responses. This should show why the existing tools for dealing with 'too-big-to-fail' scenarios were not used and what is needed to prevent such crises. The new situation in terms of competition, particularly within the national B2B banking sector, requires careful analysis as well. For private banks, it is also clear that any new regulations need to concentrate on systemically-important banks – and therefore those ultimately guaranteed by the state. And on this subject, I would also like to remind you that only one of the 240 banks in Switzerland – albeit a very large one – has got into difficulties. So any talk of a failure at sector level is misplaced.

I would now like to move on to today's topic: Switzerland's neutrality. Russia's war of aggression against Ukraine is the tragic reason behind this. Peace and international relations governed by international law are the foundations that allow free trade to deliver its benefits for international prosperity. Switzerland is very much an export-oriented country with considerable direct investment and economic interdependencies all over the globe. It is hardly surprising that our country has traditionally been such a big advocate of open markets and free trade. In recent years, the liberal world order – one that has brought Switzerland a great deal of prosperity and security – has come under increasing pressure. Russia's destructive war against Ukraine is accelerating this development. Geopolitical tensions are increasing worldwide, driven by the rivalry between two major powers – the US and China. The world has become more multipolar, which is also evident in the way that

Russia, as regards the current conflict, is less isolated at a global level than within Europe and the West.

Running parallel to this new geopolitical reality, there is also a shift in trade policy away from globalisation and towards greater protectionism. In light of the close global interdependencies across supply chains, the US and China in particular have a fundamental interest in ensuring existing trade relations remain intact. There is still a risk, however, that the mainly protectionist motives driving competition may actually result in trade wars. Third countries, Switzerland amongst them, would risk being unfairly caught up in all of this by increasingly coming under pressure to pick a side politically and economically.

Switzerland in particular, whose neutrality has proven its worth over centuries and is part of its DNA, finds this very challenging. Swiss neutrality can only remain credible if it is recognised and understood by other countries. But, particularly in the West, the appreciation of Swiss neutrality appears to be waning. The country is no longer given much credit for the stabilising effect on security in Europe that a neutral Switzerland can offer, and there is a tangible feeling that Switzerland should do its bit for European security and the European community of values. By comparison, familiarity with Swiss neutrality is not very well grounded or nuanced in Asia, the Middle East, Africa or Latin America, although it is mainly seen as a positive thing and valued according to the Federal Council's October 2022 report on neutrality.

Without passing judgement, I would say – with military confrontation not being an option – that the sanctions imposed by the West on Russia are without precedent: this applies not just to the number of areas affected and the newly qualitative dimension of the measures, but also to the fact that the sanctions imposed are directed against a major world power for the first time. From the perspective of the financial system, it is remarkable that – aside from the standard freezing of the assets of targeted individuals and organisations – a large number of Russian banks have been barred from the SWIFT interbank system, and a significant proportion of Russia's foreign currency reserves that it holds for monetary policy purposes has been frozen too. This highlights the West's avowed intent to use all levers of the international banking and financial system to weaken the Russian economy as severely as it can. So the financial system – in a move also described as the 'weaponisation of finance' – is becoming a key tool in the pursuit of security, trade and foreign policy objectives. These kinds of financial sanctions owe their scope to the dominant role that the US dollar plays in the global financial system. So no country interested in participating in global trade can avoid this development.

In other parts of the world, dependency on the US dollar system and the EU's policy of fundamentally stepping up its arsenal of sanctions are fuelling fears that any country that is – for whatever reason – viewed as unfriendly could be easily shut out of the international financial system. This in turn is encouraging a search for alternative solutions for holding international reserve currencies and for international payments. In the long term, this process – triggered each time the geopolitical confrontation escalates further – could erode the US dollar's dominance as an international currency. The result could be an unwelcome fragmentation of the global financial system and the associated world economic order.

I wish to make it absolutely clear that Swiss banks are complying strictly with the sanctions measures that apply to their business. This is also evident in the fact that the total value of blocked financial assets in Switzerland belonging to Russian nationals subject to sanctions accounts for over a third of the total value of all blocked assets across all 27 EU member states. However, the implementation of external sanctions is not without its challenges.

At an operational level, differences and contradictions between sanctions regimes across like-minded jurisdictions in the US, EU and UK are repeatedly leading to major difficulties with implementation and unnecessary compliance risks – for both internationally active financial institutions and authorities entrusted with implementing sanctions. Such inconsistencies have been identified in relation to lists of persons subject to sanctions, geographical applicability, the scope of any exceptions and the timing of enforcement. The pointless restriction of deposits to EUR 100,000 within the EU, and the potential repercussions – via Euroclear – for third countries beyond the EU, is particularly worthy of mention in this context.

In terms of state policy too, there are aspects of relevance to any country that regards itself as practising the rule of law: new sanctions need to be introduced and implemented within the applicable legal framework and must respect elementary constitutional rights, including guarantees in relation to property. By contrast, some jurisdictions at international level are currently examining whether frozen assets can be confiscated and the proceeds of their disposal used for other purposes. Fortunately, the Federal Council has adopted a clear position on this issue, stating that any seizure, without compensation or due process, of private property not obtained illegally is out of the question.

So to conclude, and by way of summary, I feel the following actions need to be taken. First, Switzerland should play an active role, at an international level, in ensuring that international sanctions measures concerning the financial sector are coordinated and harmonised, at least between like-minded countries. As part of this process, it must be ensured that key financial centres beyond the West are also included in order to ensure a level playing field, otherwise measures risk proving ineffective on a global scale on account of the high degree of capital mobility.

Second, Switzerland needs to enhance its own financial expertise in partnership with the banking sector and get involved before international sanctions are imposed, not least for reasons of practicability. It should also be firm about correcting sanctions measures that have proven to be ineffective. This ought to take the form of an ‘escape clause’.

And finally, the elementary principles constituting the rule of law that are the country’s bedrock must serve as a compass for Switzerland – as it looks to play an active and constructive role within international sanctions policy. As a small, neutral country with a centuries-old direct-democratic tradition, a liberal foreign trade policy and widely regarded foreign policy skills in its ‘good offices’, Switzerland has the international credibility required to actively represent the voice of the rule of law and international law in dealings with its international partners, playing the role of honest broker and free from any self-serving interests of power politics or trade policy.

I am convinced that we, as a highly diversified financial centre with all its various actors, can cope with the current challenges, as we did with previous challenging situations, and adapt to the circumstances at hand – and that our wealth management business in particular will long continue to play an important part in Switzerland’s success in an increasingly complex and multipolar world.